Recovery amid Uncertain Times
KAMPALA, MAY 22, 2019
Regional Economic Outlook

Clara Mira
Resident Representative
• Roadmap

- Recent Developments and Outlook
- Challenges
- Building Resilience and Raising Growth
  - Macro Policies
  - Managing the Impact of Conflict
  - Boosting Intra-Regional Trade
Economic recovery in Sub-Saharan Africa is set to continue

Real GDP growth, 1990–23

Source: IMF World Economic Outlook database.
Growth is recovering but varies considerably among countries

Real GDP Growth Distribution, 2019

Weighted average = 3 (2018)
Weighted average = 3.5 (2019)

Source: IMF World Economic Outlook database.
Economic recovery in Sub-Saharan Africa is set to continue

Real GDP growth, 1990–23

Source: IMF World Economic Outlook database.
In particular, recent and prospective growth performance is split between resource- and non-resource-intensive countries.

**Real GDP growth, 1990–23**

Source: IMF World Economic Outlook database.
In particular, recent and prospective growth performance is split between resource- and non-resource-intensive countries.

Real GDP growth, 1990–23

Source: IMF World Economic Outlook database.
Growth in resource-intensive countries was adversely impacted by the large 2014 terms-of-trade shock...

Goods Terms of Trade, 2013-23

Source: IMF World Economic Outlook database.
But even among the resource-intensive countries, growth outcomes remain quite diverse.

Real GDP Growth Distribution, 2019

Source: IMF World Economic Outlook database.
The slower growth rates in some of the region’s larger economies is noteworthy.

Average Real GDP Growth Distribution, 2001-10

Source: IMF World Economic Outlook database.
The slower growth rates in some of the region’s larger economies is noteworthy.

**Average Real GDP Growth Distribution, 2011-19**

- **Weighted average:** 3.8
- **Median:** 4.3

*Source: IMF World Economic Outlook database.*
In South Africa, lower private investment is contributing to slower growth

Private Investment and Real GDP Growth, 2000-18

Sources: Haver and IMF staff calculations.
In Nigeria, the sharp drop in oil prices and ongoing adjustment have slowed growth...

Real GDP Growth and Components, 2011-18

Source: NBS Nigeria, World Economic Outlook and staff projections.
...and much the same in Angola

Oil Price and Real GDP Growth, 2006-18

Source: IMF World Economic Outlook database.
On current policies, the recovery beyond 2019 looks set to be marginal

Real GDP Growth, 2013-23

Source: IMF World Economic Outlook database.
...and would not be enough to create much needed jobs in many countries

Sources: United Nations, International Labour Organization; and IMF staff estimates.

Change in Employment, 2019-23

Long-term needed increases in employment

Average increase in employment over 2014-18

Sources: United Nations, International Labour Organization; and IMF staff estimates.
• **Roadmap**

• Recent Developments and Outlook

▪ **Challenges**

• Building Resilience and Raising Growth
  • Macro Policies
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Global expansion loosing momentum

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Advanced Economies</th>
<th>U.S.</th>
<th>Euro Area</th>
<th>EMEs and Developing</th>
<th>China</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>3.6</td>
<td>2.2</td>
<td>2.9</td>
<td>1.8</td>
<td>4.5</td>
<td>6.6</td>
</tr>
<tr>
<td>2019</td>
<td>3.3</td>
<td>1.8</td>
<td>2.3</td>
<td>1.3</td>
<td>4.4</td>
<td>6.3</td>
</tr>
<tr>
<td>2020</td>
<td>3.6</td>
<td>1.7</td>
<td>1.9</td>
<td>1.5</td>
<td>4.8</td>
<td>6.1</td>
</tr>
</tbody>
</table>

The uncertainties in the external environment pose a challenge for policymakers.

Volatility in Real Commodity Prices, 2011-14 and 2015–18

Volatility of EMBI Spreads, 2011-14 and 2015–18

Sources: IMF, Commodity Price System.

Sources: Bloomberg and staff calculations.
Trade tensions, tighter financial conditions pose a risk

Trade tensions, China Slowdown, and Global Financial conditions

Sources: IMF staff calculations.
Note: EPU stands for Economic Policy Uncertainty
Climate shocks threaten the outlook for a number of southern African countries

Tropical Cyclone Idai

Source: Guardian graphic; Global Disaster Alert and Coordination System.
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Public debt dynamics are stabilizing somewhat, albeit at higher debt levels.
Fiscal adjustment has helped, but more is still needed in many cases...

**Change in Fiscal Deficit, 2013–17**

- Simple average, cumulative change, percentage points of GDP

**Medium-Term Fiscal Plans, 2018–23**

- Simple average, cumulative change, percentage points of GDP

Source: IMF, World Economic Outlook database; and IMF staff calculations.
...as debt vulnerabilities are notably elevated...

Debt Risk Status, 2008–18

Source: IMF Debt Sustainability Analysis Low-Income Developing Countries database.
...and will remain so as concessional financing will remain scarce

New Debt Flows since 2010

Note: Excludes Equatorial Guinea, Namibia, Seychelles, and South Sudan.
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The intensity of conflict has declined markedly

Average Conflict Intensity

Sources: Uppsala Armed Conflict Database; and IMF staff calculations.

Conflict Episodes: Real GDP Growth Rate and Cumulative GDP per-capita Losses

Sources: IMF staff calculations.
Yet, violence has increased in the Sahel

Number of Conflict-Related Deaths in Sahel Region

Conflict-Related Deaths - Sahel Region, 2011-17

Sources: Uppsala Armed Conflict Database; and IMF staff calculations.

Sources: Uppsala Geographic Event Database; and IMF staff calculations.
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The AfCFTA will boost intra-African trade...

African Regional Economic Communities

Tariff Rates by Regional Economic Community

Sources: United Nations COMTRADE database; and IMF staff calculations.

Recent Developments and Outlook
Challenges
Macro Policies
Managing the Impact of Conflict
Boosting Intra-Regional Trade
especially if supported by structural reforms and tackling non-tariff bottlenecks

**Elasticity of Intraregional Trade**

<table>
<thead>
<tr>
<th>Category</th>
<th>Normalized Trade Elasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>1.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0.5</td>
</tr>
<tr>
<td>Tariffs</td>
<td>-0.5</td>
</tr>
</tbody>
</table>

**Additional GDP Impact of Trade Expansion Under Structural Reform Scenarios**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Additional Effect per One Percent Increase in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited reform scenario</td>
<td>10</td>
</tr>
<tr>
<td>Comprehensive reform</td>
<td>15</td>
</tr>
</tbody>
</table>

Sources: UNCTAD Trade Analysis Information System; and IMF staff estimates.

Sources: IMF staff estimates.
Key policy recommendations

- **Non-resource intensive countries** focus on handing over the reins of growth from public to private

- **Resource-intensive countries** complete the required adjustment to lower commodity prices

- **Shared challenges**: strengthen resilience and ensure high, inclusive growth:
  - Improve tax revenue collections, public financial management, and spending efficiency
  - Facilitate greater private investment
  - Raise productivity, including by promoting diversification and export competitiveness
  - Reduce non-tariff barriers and promote intra-regional trade
Recap: Key messages

• **Economic performance in sub-Saharan Africa remains bifurcated:**
  - The more diversified economies (21 out of 45) continue to grow at over 5%
  - But growth remains anemic in other more resource-dependent economies (home to 2/3 of the region’s population)

• **Should the current complex and less-supportive external environment worsen:**
  - Where growth remains strong, continue building buffers
  - Elsewhere, calibrate policies to support growth where financing and debt considerations allow

• **Reforms needed to manage development spending needs and create jobs:**
  - Improve tax revenue collections, public financial management, and spending efficiency
  - Facilitate greater private investment
  - Raise productivity, including by promoting diversification and export competitiveness
  - Reduce non-tariff barriers and promote intra-regional trade
Thank You